UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
GENERAL

TD/B/1266
7 August 1990

Original: English

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Item 7 of the provisional agenda

ASSISTANCE TO THE PALESTINIAN PEOPLE
(Conference resolutions 146(VI) of 2 July 1983
and 169(VII) of 3 August 1987)

Recent economic developments in the occupied Palestinian territory

Report by the UNCTAD secretariat

The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

GE.90-52005

best copy available

CONTENTS

		Paragraphs
Summary		(i) - (vii)
Part I.	Growing crises in the economy of the occupied Palestinian territory: an update of aggregate and sectoral performance 1988-1990	1 - 52
A.	Major policy developments affecting the Palestinian economy	1 - 10
B.	Indicators of aggregate performance: GDP, GNP, savings, investment and consumption in 1988 and 1989	11 - 17
C.	Developments in key sectors	18 - 49
1.	Water, land and Israeli settlements: control over Palestinian natural resources	18 - 24
2.	Agriculture and industry: further moves towards Palestinian self-reliance despite new restrictive Israeli measures	25 - 35
3.	Population, labour force and employment: growing domestic unemployment, reorientation to the domestic economy and less dependence on Israel	36 - 39
4.	Monetary and fiscal situation: intensification of constraints	40 - 45
5.	External trade performance - from bad to worse	46 - 50
6.	Concluding observations	51 - 53
Part II.	Review of progress in the work of the Special Economic Unit (Palestinian people), UNCTAD secretariat, 1989/1990	54 - 61

SUMMARY

(i) Since the beginning of the Palestinian uprising (intifadah), far-reaching transformations are discernable in the economy of the occupied Palestinian territory. This phenomenon is largely attributed to the growing desire of the Palestinians for self-reliance and the practical measures taken with the view to minimizing Palestinian economic dependence on Israel and rebuilding the neglected domestic productive base. During the period under review, Palestinian institutions and communities have continued to implement new elements of a strategy for economic survival. These have aimed at boosting self-reliance in agricultural and industrial production, investment and marketing, restructuring the domestic productive base and disengaging from the effects of almost a quarter of a century's enforced dependence on the Israeli economy under severe conditons of occupation.

(ii) International response to the growing crisis in the Palestinian economy also indicates the positive impact of some assistance in favour of the Palestinian people. This comprises contributions from some Arab States and regional organizations for emergency relief, direct access to regional markets, provision of transit facilities, and extending financial assistance to relieve hardship. The United Nations and a number of its specialized agencies have intensified their technical assistance programmes for the benefit of the Palestinian people. The magnitude and direction of assistance by non-governmental organizations (NGOs) have also acquired prominence. Similarly, the aid programme of the European Economic Community has been substantially increased, especially in 1990 in view of the continued deteriorating situation in the occupied territory.

(iii) Neverthless, efforts to realise the territory's potential for economic growth and development continue to be severely impeded by a wide range of economic and political constraints imposed under conditions of occupation. In fact, the Israeli occupation authorities have intensified efforts to use numerous economic and other measures - often ostensibly applied as collective or individual punishment - in order to enlarge their authority in the territory and their control over its economic resources and performance. Such practices have been intensified in several major areas. These include: demolition of houses, expropriation of land and increase in new Israeli settlements and outposts; uprooting of orchards, destruction of crops, bans on fishing off the Gaza coast; restriction on the movement of Palestinian workers; tax-raids and collection enforcement, including confiscations of property; increased administrative controls over Palestinian domestic trade and exports as well as on the activities of international organizations. All these have increased the already severe pressure on the Palestinian economy.

(iv) Preliminary official Israeli estimates of Palestinian economic performance in 1988 confirm the continuing declining trends in aggregate economic activity which were noted in the UNCTAD secretariat's previous report (TD/B/1221). These include gross domestic product (GDP) which, at best, was stagnant (and which fell sharply if the cyclical olive output is excluded from calculations), declining factor income and transfers from abroad, as well as decreased investment and per capita private disposable income. Palestinian economic performance in 1989 is expected to have maintained its downward trend, with GDP estimated to have fallen to a level of $1.2 - $1.5 billion, i.e. by as much as 35 per cent of its pre-1988 level, with a GNP figure of at best $2 billion. Most available estimates point to a decline in household income by up to 50 per cent since 1987. Meanwhile, there are some promising indications of increased Palestinian private investment in industry and agriculture, considered as part of the domestic effort to achieve greater self-sufficiency.

(v) Developments affecting agriculture illustrate the complex and stifling impact of Israeli occupation on the Palestinian economy. Israeli authorities continue to divert the water resources of the occupied territory to Israel and its settlements in the territory despite the present and future water requirements of the Palestinian people. Israeli confiscation of Palestinian land and the

establishment and expansion of Israeli settlements in the occupied territory have accelerated. Palestinian agriculture, the pillar of the domestic economy, has borne the brunt of Israeli policy measures to end the uprising. Agricultural prices have fallen, and the losses suffered have been exacerbated by Israeli punitive measures, including the destruction of substantial agricultural assets by Israeli authorities and settlers. Nevertheless, some advances have been made by Palestinian farmers which have helped to compensate for losses elsewhere, with trends towards increasing food self-sufficiency through crop diversification and enhanced domestic marketing of crops and livestock products.

(vi) Palestinian initiatives in the industrial sector have encouraged intersectoral linkages and the utilization of previously idle capacity with the aim of expanding the local market, substituting imports from Israel, developing export marketing for selected products as well as meeting growing investment and working capital requirements. Meanwhile, Palestinian labour force growth rates have recently weakened, and data for unemployment and "underemployment" confirm the alarming fall in the level of economic activity in the occupied territory. Widespread absenteeism among Palestinians working in Israel has continued, partly reflecting continued Palestinian attempts at reducing dependence on the Israeli economy and at promoting, to the extent possible, activity in the domestic economy. The major factors considered to have exerted tremendous pressure on the living conditions of the Palestinian people during the period under review have been a drastic deterioration in monetary and fiscal conditions, engendered by Israeli restrictions on amounts of funds permitted into the occupied territory, repressive Israeli tax collection measures used as a means of collective punishment, and the sharp and rapid decline in the value of the Jordanian dinar, the major currency in circulation in the territory. Palestinian external trade has not been spared the disruptive effects of Israeli policies and practices since the uprising. This sector continues to suffer from the absence of infrastructural facilities and of a regulatory environment conducive to its effective functioning. The occupied territory's balance-of-payments position with Israel has improved steadily, from a $175 million current account deficit in 1987 to a first-ever surplus of $52 million, which testifies to the beginning of far-reaching economic transformations since the uprising. However, a continuation for much longer of recent discouraging trends in the Palestinian export performance in regional and new markets could put an effective end to Palestinian agricultural export prospects in traditional markets and cause increasing hardship for the economy.

(vii) While the Israeli authorities could reconsider the possibilities for implementing the broad policy reforms outlined in previous UNCTAD reports and studies, certain immediate steps are here envisaged with a view to relieving tensions, providing immediate relief and encouraging a measure of economic revival in prevailing circumstances. These include: halting the demolition of Palestinian homes, the expropriation of Palestinian lands and the diversion of Palestinian water resources to Israel; refraining from establishing new settlements and expanding existing ones; ceasing collective punishments against Palestinian agriculture and restrictions on marketing; allowing a full resumption of fishing off the Gaza Strip coast; lifting selective restrictions on the flow of labour between the occupied territory and Israel; ending indiscriminate tax-collection campaigns and easing the crippling tax burden imposed on Palestinian communities; applying equitable and reciprocal measures with regard to trade between the occupied territory and Israel; and lifting restrictions placed on international assistance to the occupied territory.

SURVEY OF THE QUALITY AND USEFULNESS OF UNCTAD PUBLICATIONS AND OF THEIR END-USERS

The UNCTAD secretariat, in the context of its programme evaluation activities and in response to intergovernmental requests, is seeking the opinions of end-users in order to have basic data for assessing the quality, usefulness and effectiveness of *inter alia* its research reports and publications. As the success of such an exercise is critically dependent on an adequate rate of response we should appreciate it if you would take time to answer the questions below and submit any other comments that you may have concerning the current document.

1. **Title or symbol number of document** . . . . . .

2. **When did you receive the document?** . . . . . .

3. **How did you receive the document?** *(tick one or more boxes)*

Through Permanent Mission to United Nations	( )	From UN bookshop	( )
From ministry or government office	( )	From university libraries	( )
Directly from UNCTAD secretariat	( )	Own request	( )
By participating in an UN/UNCTAD intergovernmental meeting	( )	UNCTAD initiative	( )
		Other (please specify)	. . . . .
By participating in an UN/UNCTAD sponsored training course or seminar	( )	. . . . .	
		. . . . .	

4. **For what main purposes do you use the document?** *(tick one or more boxes)*

Policy formulation	( )	Education and training	( )
Analysis and research	( )	Management	( )
Legislation	( )	Other (please specify)	. . . . .
Background information	( )	. . . . .	

5. **How do you rate the document as regards:**

Its usefulness to your work *(tick one box)*

Extremely useful ( ); Very useful ( ); Useful ( ); Marginally useful ( ); Not at all ( ).

Its quality, in terms of the following aspects *(tick one box in each case)*:

	Outstanding	*Excellent*	*Good*	*Adequate*	*Poor*
Presentation and readability	( )	( )	( )	( )	( )
Originality of ideas	( )	( )	( )	( )	( )
Wealth of information	( )	( )	( )	( )	( )
Up-to-date information	( )	( )	( )	( )	( )
Technical accuracy	( )	( )	( )	( )	( )
Quality of analysis, including objectivity	( )	( )	( )	( )	( )
Validity of conclusions	( )	( )	( )	( )	( )
Clarity of recommendations	( )	( )	( )	( )	( )
Comprehensiveness of coverage	( )	( )	( )	( )	( )

6. **Other observations** *(if any)* . . . . . .

. . . . . .

. . . . . .

. . . . . .

Finally, we would appreciate it if you could provide the following information about yourself:

Name . . . . . Occupation/Functional title . . . . . .

Address . . . . . .

Your answers are for internal use and will be kept confidential. Thank you for your co-operation.

Please forward the questionnaire to : PROGRAMME CO-ORDINATION AND EVALUATION UNIT
EXECUTIVE DIRECTION AND MANAGEMENT
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
PALAIS DES NATIONS – CH-1211 GENEVA 10

Part I

GROWING CRISES IN THE ECONOMY OF THE OCCUPIED PALESTINIAN TERRITORY: AN UPDATE ON AGGREGATE AND SECTORAL PERFORMANCE, 1988-1990

A. Major policy developments affecting the Palestinian economy

1. The first two decades of Israeli occupation of the Palestinian territory - i.e., the West Bank and Gaza Strip - were characterized by drastic changes in the structure and performance of the Palestinian economy. 1/ These transformations took the form of a decline in the share of agriculture, industrial stagnation, chronic trade and payments deficits, serious marketing bottlenecks and disorder, growing unemployment and massive labour migration, financial disarray and insecurity and a continuing drain on the Palestinian natural resource base, notwithstanding relatively high levels of private consumption fuelled mainly from non-domestic sources of income.2/ In the relatively short period since the beginning of the Palestinian uprising (intifadah) in December 1987 against Israeli occupation and its increasingly harsh policies and practices, equally far-reaching transformations have been witnessed in the economy of the occupied Palestinian territory, spurred by a desire for self-reliance accompanied by policies and measures aimed at minimizing Palestinian economic dependence on Israel and rebuilding the neglected domestic productive base. To date, these changes have succeeded in halting some of the negative trends which prevailed during the first two decades of Israeli occupation, despite sharp falls in the level of Palestinian economic activity. The Palestinian people have activated a new and independent path towards economic recovery and development, and moved from being passive actors in economic processes originating outside their economy to initiators of economic reform, modernization and liberalization, notwithstanding the political and economic constraints which continue to stifle the territory's potential.

2. During the period under review, the Israeli occupation authorities escalated a series of policy measures, mostly introduced since 1987, aimed at exerting economic pressure on the Palestinian people in the occupied territory. These steps were taken in the context of a systematic policy to thwart, or at least to contain, Palestinian initiatives towards economic self-reliance, self-management and independence from Israeli economic control. According to an Israeli military government source, the authorities remain opposed to local attempts to initiate projects that, by definition, encourage independent economic management. 3/

3. Israeli policy towards the Palestinian economy prior to 1987 was, and continues to be, characterized by neglect of its development needs and preventing competition with Israeli economic interests. An official of the Israeli Ministry of Industry recently warned that "in the long run, growing competition from the territories could jeopardize our local industry", 4/ and another official in the military government has reaffirmed that the authorities "will not allow any (Palestinian) industry to threaten Israeli production." 5/ Since 1988 numerous economic and other measures have been used with varying degrees of severity to assert Israeli authority in the territory. This escalation reportedly coincides with a growing "militarization" of the administrative and decision-making apparatus of the Israeli Civil Administration in the occupied territory. 6/ The underlying factor in the authorities' persistence in applying widely unpopular measures affecting Palestinian economic activity has been the belief that, with time, Palestinian resistance to Israeli occupation and its harsh measures will be reduced. 7/

4. Such policies are maintained despite the mounting cumulative cost to Israel from the expenses incurred in combating the uprising, the decline in Israeli exports to the territory, the fall in international tourism to Israel and the reduced Palestinian labour input in certain Israeli production branches. The dampening impact that these factors have had on Israeli economic growth in 1988 and 1989 (equivalent to some two percentage points of annual GDP growth) 8/ has at the same time encouraged the Israeli authorities to act with more vigour and severity in trying to end the

READEX FICHE

uprising. The total direct cost of the uprising to the Israeli economy, in terms of forgone growth and production, was estimated at over $1 billion by the end of 1989, 9/ while additional military expenditures incurred during the period amounted to over $500 million. 10/

5. Israeli economic measures continue to be applied as collective punishment imposed on villages, towns, refugee camps, regions, or the occupied territory as a whole. These are in addition to the frequent cases of punishing specific sectors of the population or individuals, such as: the imposition of heavy fines, taxes and levies; withdrawal of operating licenses; closure of premises and farming areas; destruction of crops, industrial equipment and other property; and resort to other forms of harassment against businessmen, merchants, farmers, workers and social service institutions. Punitive and restrictive Israeli practices were intensified in several major areas of the Palestinian economy during the period under review. 11/ These comprised:

- Continued demolition of Palestinian homes, expropriation of Palestinian land and the acceleration of steps to establish new Israeli settlements and outposts in the Gaza Strip and the West Bank, including East Jerusalem, amid widespread concern over the implications of the settling in the occupied territory of the newly-arriving immigrants to Israel;
- Increasingly harsh measures against Palestinian agriculture and fishing, including the uprooting of orchards, bulldozing of agricultural land, destruction of crops, and crippling bans on fishing off the Gaza coast;
- Restrictions on the movement of Palestinian labourers from the occupied territory to Israel, including a computerized pass system of magnetic identity cards to "screen" workers entering Israel;
- Widespread tax-collection campaigns, involving raids, curfews, roadblocks and other military actions, and resulting in the imposition of heavy fines, inflated tax assessments, attachment of bank accounts and confiscation of identity papers and property;
- Tightening of controls on trade between the West Bank and Gaza Strip and on the exports of Palestinian manufactured and agricultural goods to Israel, as a policy intended to limit market outlets for Palestinian products in retaliation against the voluntary Palestinian boycott of imports from Israel;
- Continued administrative and procedural obstacles affecting direct export of Palestinian agricultural products to EEC markets and arbitrary bans on local and export marketing of agricultural produce; and.
- Increased controls over the activities of international organizations assisting Palestinian economic and social development, as well as non-governmental organisations (NGOs) providing material and financial support to the Palestinian people.

6. Meanwhile, Palestinian institutions and communities in the occupied territory have continued to implement the elements of recently-elaborated strategies for economic survival in the prevailing crisis. These have aimed primarily at boosting self-reliance in agricultural and industrial production, investment and marketing, restructuring the domestic productive base accordingly, and disengaging, to the extent possible, from the effects of over 23 years of enforced dependence on the Israeli economy and the occupation authorities. 12/ Despite the growing losses suffered by the Palestinian economy as a result of Israeli measures and lower levels of activity, co-operation within local Palestinian communities has been able to effect significant transformations in patterns of agricultural production and marketing, in industrial investment, output and distribution, and in the extent of reliance on employment opportunities in Israel as a primary source of income. Indigenous institutions and community solidarity have been further strengthened in such areas as industrial and agricultural credit facilities, agricultural production and marketing co-operative activity, resolution of industrial disputes caused by the decreased purchasing power of local currency, and resistance to efforts by the Israeli authorities to enforce payment of taxes which are considered as unfair, unrealistic and in some cases illegal in as far as the prevailing laws of the occupied territory are concerned. 13/ In all cases, of course, the taxation flows from political processes that are closed to Palestinian participation. According to a Palestine official, "the uprising has achieved great results in a relatively short period, be it in terms of concentrating on self-reliance, on boycotting Israeli goods and on refraining from paying taxes to the occupation

authorities." 14/ It has also been indicated that Palestinian efforts to disengage from the Israeli economy are ultimately aimed at building the economic infrastructure of a Palestinian state and an independent Palestinian economy linked to that of the Arab region. 15/

7. Regionally and internationally, the response to the growing crisis in the Palestinian economy indicates the modest positive impact of some assistance efforts in favour of the Palestinian people. Arab States have reaffirmed the pledges made at the 1988 Arab Summit Conference to provide emergency relief to the Palestinian people for losses incurred as a result of Israeli economic practices while some regional organizations have joined efforts in their fields of competence to co-ordinate their assistance. Jordan, in co-operation with Palestine, has taken significant steps towards facilitating the transit access of Palestinian agricultural products to regional markets on the basis of a Palestinian certificate of origin in conformity with the Arab certificate of origin. 16/ Egypt has examined modalities for encouraging the use of its territory for transit of exports from the Gaza Strip, 17/ while some other Arab States have contributed financially to relieving the hardships of Palestinians in the occupied territory. Palestinian expatriate businessmen and financiers recently decided to establish a Palestinian Development Credit Institution and to initiate technical assistance activities in support of Palestinian development efforts in the occupied territory. 18/ The Federation of Arab Chambers of Commerce, Industry and Agriculture has promised financial aid to the new Federation of Palestinian Chambers of Commerce. 19/ Meanwhile, the Council for Arab Economic Unity has played a role in preparing the administrative and legal ground for the direct access of Palestinian products on preferential terms to Arab regional markets in transit through Jordan. 20/

8. Similarly, the need for enhanced assistance to the Palestinian people has been recognised in resolutions recently adopted by the United Nations General Assembly as well as by a number of the specialized agencies. 21/ Consequently, more concerted and elaborate technical assistance programmes are being designed, especially in the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Industrial Development Organization (UNIDO).

9. The two United Nations agencies which maintain an active presence in the occupied Palestinian territory have also responded to the emergency situation there. The United Nations Relief and Works Agency for Palestine Refugees (UNRWA) has been able to undertake an expanded programme of assistance designed to prevent further deterioration in living conditions in the occupied Palestinian territory and distribute relief and emergency assistance on a wider basis than previously. UNRWA's Refugee Affairs Officers (RAO) programme aims at ensuring a degree of protection to Palestinian refugees by strengthening the presence of international staff, and at facilitating Agency operations - a move widely welcomed by the Palestinian people and international agencies active in the field. However, during the past year Israeli military authorities have mounted raids and searches of UNRWA premises, including schools, clinics and warehouses; stopped, searched and delayed UNRWA ambulances carrying wounded people; and, beaten, arrested or detained a number of UNRWA employees. 22/ Protests by UNRWA to the Israeli authorities have not deterred further violations to the United Nations privelages and immunities. 23/ While the United Nations Development Programme (UNDP) has continued to implement its Programme of Assistance to the Palestinian People, project delivery was impaired in 1988/89 by difficult operating conditions and, in some cases, by delays in official Israeli approval and Israeli objections to projects on grounds of security or conflict with Israeli economic interests.24/ What is more encouraging to note is the increasing orientation of its assistance to projects in agriculture, industry and water resources development - areas that until now have been unfavourably treated by the occupation authorities. 25/ International NGOs have also acquired a more pronounced role in international efforts in favour of the occupied territory, with the scale and scope of their involvement regularly widening, though their activities also face increasing Israeli restrictions. 26/

10. The aid programme of the European Economic Community (EEC) to the occupied territory was substantially increased in 1990, in light of "the continuous deterioration of the situation in the occupied territories which seriously affects the living conditions of the people, compromises in a lasting fashion the future of Palestinian society and prevents the economic and social development of the territories." 27/ In addition to an increased contribution to UNRWA, EEC direct assistance will focus on health and education programmes, while income-generating projects in productive sectors and the establishment of a special credit line for use by "autonomous Palestinian financing institutions" are important new features of EEC direct aid. Meanwhile, Israeli authorities continue to refuse to grant a general exemption from customs and other taxes levied on equipment and supplies shipped to the territory for specific projects financed by the EEC, despite appeals by the latter. 28/ On the contrary, these and other items are subjected to the high rates of Israeli customs duties, without regard for the prevailing laws of the occupied Palestinian territory.

B. Indicators of aggregate performance: GDP, GNP, savings, investment and consumption in 1988 and 1989

11. In the circumstances prevailing in the occupied territory, the Israeli authorities have encountered considerable difficulties in collecting statistical data, thus impairing the process of regular updating of aggregate and sectoral economic developments. 29/ The most recent national accounts series, which cover developments only until 1987, were examined in the previous secretariat report on this subject. 30/ By the middle of 1990, no updated statistical series on 1988-1989 aggregate performance had been issued by the Israeli authorities. Despite these limitations, a review of some major trends since 1988 is possible, by using official Israeli estimates and other indicators. 31/

12. Preliminary official Israeli estimates of Palestinian economic performance in 1988 confirm, though in differing magnitudes, the continuing declining trends in aggregate economic activity which were noted in the UNCTAD secretariat's previous report (TD/B/1221). 32/ The major factor to which differences in estimates may be attributed is the bountiful 1988 olive crop in the West Bank. Output of this crop far exceeded expectations and appears to have cushioned the negative impact of decline in some other outputs of major sectors. Israeli estimates for 1988 indicate a rise in agricultural output in the West Bank of 15 per cent excluding olives, and a much larger rise if olives are included. In the Gaza Strip agricultural output is reported to have remained stable, despite a fall in citrus output which constitutes the bulk of agricultural output in the Strip. According to the same source, industrial output in the West Bank fell by 23 per cent, excluding olive oil processing, and by 10 per cent if olive oil processing is included, while in the Gaza Strip, the fall in industrial output was around 20 per cent. Construction output is reported to have fallen by 25-33 per cent in the West Bank and by 13 per cent in the Gaza Strip. Overall, gross domestic product (GDP) in the West Bank is estimated to have fallen by 12-15 per cent excluding the olive crop and to have risen by 2-5 per cent including the olive crop. In the Gaza Strip, GDP is estimated to have fallen by 12-13 per cent. For the occupied territory as a whole, this represents, according to Israeli estimates, GDP growth in the range of -2 per cent to +0.5 per cent.

13. Israeli data also indicate stagnation in West Bank wage receipts from work in Israel and a drop of 10 per cent in the Gaza Strip in 1988, despite a larger fall in labour input (work hours) (see section C.3 below). Israeli estimates do not provide an indication of the performance of gross national product (GNP), though national disposable income (NDI - comprising GDP, factor income and transfer payments) is reported to have been stagnant in the West Bank and to have fallen by 14 per cent in the Gaza Strip. These estimates are in current prices and do not take into account the impact of inflation in 1988, which was estimated at around 9 per cent in the West Bank and 11 per cent in the Gaza Strip. 33/ Overall, per capita private disposable income fell in the territory and the purchasing power of this income dropped sharply. Other indicators show that total investment in 1988 was down by 21-25 per cent in the West Bank and by 13 per cent in the Gaza Strip. Private investment is reported to have fallen by 15-22 per cent in the West Bank and

by 10 per cent in the Gaza Strip, and Israeli Civil Administration investment dropped by 44 per cent and 28 per cent, respectively.

14. Notwithstanding the discrepancies between official Israeli estimates and most other accounts of the extent of economic decline in the occupied territory in 1988, it is clear that the crisis continued in 1989-1990, with little hope for imminent improvement. Since 1988, the inherent structural weaknesses in the domestic economy have been exposed as local efforts to disengage from Israeli control gained momentum. Most branches of the Palestinian economy have been oriented for many years to their relationship with the Israeli economy, as witnessed by, inter alia: the proliferation of sub-contracting industries; the patterns of agricultural cultivation which tended to complement, rather than substitute for, imports from Israel; local commerce which intermediated largely between Israeli production and Palestinian consumption, etc. Obviously, there are short-term costs in redirecting economic activity to the interests of greater articulation between domestic production and consumption and the integration of domestic markets. In these conditions, and with the continuation of restrictive Israeli practices, the domestic economic base cannot be expected to grow in the short term. However, over a longer period, internal consistencies in the economy may be strengthened and rendered less vulnerable to external shocks and pressures (e.g. lower inflation in the occupied territory in 1988 than in Israel in line with levels of domestic economic activity).

15. Thus, Palestinian economic performance in 1989 is expected to have maintained its downward trend by at least as much as that experienced in 1988 owing to the worsening policy orientation under continued occupation and the regional economic environment in 1989, in addition to the absence of the "cushioning" effect of the olive crop experienced in 1988. Accordingly, it is estimated that GDP in the occupied territory will have fallen to a level of $1.2 - $1.5 billion in 1989, i.e. by as much as 35 per cent of its pre-1988 level. A conservative estimate of the decline in factor income receipts (of approximately 10 per cent per annum in 1988 and 1989) implies a GNP figure (based on Israeli data) of at best $2 billion in 1989, which is well below the levels of 1986 and 1987. To the extent that aggregate Palestinian economic performance continues to largely follow conditions in the Israeli economy (notwithstanding the degree of disengagement already achieved), these estimates are supported by indicators of continued recession in Israel. 34/

16. There are few reliable indicators of the magnitude of decline in private income in the occupied territory in 1989, though a number of Israeli and Palestinian observers estimate that real household income has decreased by as much as 50 per cent since the beginning of the uprising. 35/ This is manifested by depressed wage levels, at a monthly average equivalent to $250-$300; the effective cut in many households' purchasing power due to the devaluation, since 1988, of the Jordanian dinar; the rise of over 20 per cent in the cost-of-living index in 1989; and alarming signs of growing poverty in remote areas. Per capita GNP in the occupied territory can be estimated at no more than $1,300 in 1989 - 25 per cent below the level of $1,700 attained in 1987. 36/ Even more so than in the past, the Gaza Strip has borne the brunt of the decline in income, owing to the relatively greater disruptions to economic activity there since the uprising, its dwindling domestic productive base and its greater dependence on (reduced) external sources of income as compared to the West Bank.

17. A significant shift is discernable in 1989 in the patterns of Palestinian private investment in domestic productive sectors. Notwithstanding the above-mentioned fall in total private investment in 1988, some Palestinians have begun directing more of their savings into small-scale industrial projects, considered as part of the effort to achieve greater self-sufficiency in production. Credit schemes managed by local and international NGOs have opened avenues for investment by entrepreneurs which had been unavailable before, while funds previously used in financing imports from Israel and elsewhere are being re-directed to domestic productive investment. In one instance, local wholesalers of building materials offered equity holdings to the general public in a paint manufacturing enterprise, the first offering of its kind in the occupied territory since 1967.37/ Over $600,000, accounting for 50 per cent of equity, was raised in only two days of selling shares

through the local branch of the Cairo-Amman Bank. For many middle- and low-income groups in the occupied territory, savings have either been exhausted through diversion to immediate consumption or have ceased to accumulate owing to decreased income. But the uprising has had the effect of eliciting the investment of venture capital in the domestic economy by those income groups with the means to do so. This trend is also apparent in the agricultural sector, at the level of both family and farm co-operatives. Efforts to reinvigorate and diversify crop production have increased output, and investment in livestock and poultry breeding has led to near self-sufficiency in the dairy and animal husbandry needs of the West Bank.

C. Developments in key sectors

1. Water, land and Israeli settlements: control over Palestinian natural resources

18. A central issue affecting the present and future potential for Palestinian economic development is that of control over natural resources. In a region where scarce water supplies constitute a crucial strategic resource, this issue acquires special significance. Since 1967, the Israeli Water Commission, responsible for water resources in Israel, has assumed direct responsibility for the exploitation of water resources in the occupied Palestinian territory. 38/ The Palestinian people have been excluded from any role in the planning or management of their water resources. Accordingly, the Israeli authorities have fully exploited Palestinian water resources, drawn from the Jordan River and three aquifers under the occupied West Bank, to meet Israeli water consumption requirements both in Israel itself and in its settlements in the occupied territory. The growing water requirements, especially for Palestinian agriculture and household consumption, have been neglected. On the contrary, irrigation development projects in the occupied territory have been subjected to strict controls. 39/

19. The Israeli estimate for water originating in the West Bank in 1990 is 807 million m^3, of which 510 million m^3 will be diverted for use in Israel, 160 million m^3 will be allocated to Israeli settlers in the West Bank, and the residual of 137 million m^3 will be available for use by Palestinians in the occupied West Bank. 40/ In the Gaza Strip, water resources are seriously threatened with depletion and salinity by over-drilling in nearby border areas in Israel, and the situation continues to worsen. Thus, Palestinians in the West Bank will have access to only 17 per cent of their own water, or an average of 150 m^3 per person, while Israeli settlers in the West Bank will receive 20 per cent of Palestinian water resources, or an average of some 1,800 m^3 per person. This discriminatory water distribution policy, which favours Israeli settlers in the occupied territory at the expense of the indigenous population, constitutes a major structural constraint upon Palestinian agriculture and strictly limits the use of water resources for Palestinian industrial and domestic purposes.

20. Both 1989 and 1990 have been characterized by the accelerated expropriation of Palestinian land by the Israeli authorities and the expansion of Israeli settlement activities throughout the occupied Palestinian territory. Israeli settlement policy was described recently by an Israeli Government Minister as "...a determining factor in making (the West Bank), Gaza and the Golan an inseparable part of Eretz Yisrael (the land of Israel)..." 41/ The pattern of establishing and expanding settlements aims, inter alia, at severing Palestinian population centres from each other and preventing the existance of contiguous Palestinian territory. 42/ Road and transport networks established by the Israeli authorities in the occupied territory continue to be designed to facilitate the movement of Israeli settlers, as for example in the new regional route planned for the northern West Bank. 43/ The pattern of Israeli land seizures and settlement poses a significant obstacle to the natural development of Palestinian agriculture and human settlements.

21. Prior to 1987, the Israeli occupation authorities had expropriated and/or taken control of 52 per cent of the land area of the occupied Palestinian territory. By 1980, there were already some 128 Israeli settlements and urban suburbs in the occupied territory, including 15 in East Jerusalem.44/ From 1980 to 1987, Israeli authorities established some 117 new settlements,

suburbs and para-military outposts in the territory and expanded others. 45/ As part of Israeli settlement policies in the occupied territory, 99,000 dunums of agricultural and other Palestinian land in the West Bank and Gaza Strip were expropriated in 1988 and 1989 alone, equivalent to a further 1.7 per cent of the total area of the occupied territory. 46/ Meanwhile, four new "permanent" Israeli settlements and twelve "temporary" settlements and para-military outposts were established in the occupied territory, bringing the total there by the end of 1989 to more than 260. 47/ As of early 1990, intensive building activity was witnessed in Israeli settlements in the occupied territory, especially in and around Palestinian urban centres. 48/ A source of particular concern in early 1990 was the intensified Israeli settlement activity in the Old City and other areas of occupied East Jerusalem, where the total Israeli population had grown from zero in 1967 to 120,000 in 1990 as compared to a growth in the indigenous Palestinian population from 88,000 to 150,000. 49/ This activity is taking place on lands in and around East Jerusalem expropriated from Palestinian owners since 1967, whereby the Jerusalem municipal borders have been expanded to include 72,000 dunums of land expropriated from 28 surrounding Palestinian villages. 50/

22. The present Israeli efforts to develop the settlement infrastructure in the occupied territory accompany expectations of increased settlement there by newly-arriving immigrants to Israel. By 1990, some 210,000 Israelis had already settled in the occupied territory: 120,000 in East Jerusalem, some 88,000 in the rest of the West Bank and 3,000 in the Gaza Strip. 51/ Since 1989, Israeli authorities have been planning for the absorption of over 500,000 new immigrants to Israel over the coming years (and as many as 150,000 in 1990), most of whom were expected to arrive from the Soviet Union and East European countries. Contrary to the provisions of international conventions to which Israel is a signatory, official Israeli policy is to permit immigrants to Israel to settle anywhere they wish, including in the occupied Palestinian territory.52/

23. Consequently, while some 1 per cent of 12,900 new immigrants to Israel in 1987 settled in the West Bank (excluding East Jerusalem) or Gaza Strip, 53/ this proportion had already risen slightly by early 1990 to 2-3 per cent and was expected to reach 5 per cent for the entire year. 54/ There are two factors which militate in favour of a more significant movement of new immigrants to the occupied Palestinian territory. First, the Israeli authorities continue to provide various material incentives to Israeli settlers and their settlements in the West Bank (excluding East Jerusalem) and the Gaza Strip. 55/ These include disproportionately high public investment in settlements compared to similar-size Israeli localities, stronger investment incentives accorded to industrial zones in settlements, the higher housing subsidies (for families without housing) and lower land value assessments for home building schemes in the settlements, income and other tax relief granted to settlers, the higher regular (maintenance) public expenditures on services in settlements, and higher government per capita budget grants to settlements than to localities in Israel itself. 56/ A further development is the growing trend for new immigrants to settle in the Jerusalem area, including occupied East Jerusalem, instead of other regions in Israel which in the past had been more attractive to immigrants. 57/ Whereas 6-9 per cent of new immigrants to Israel from one source settled in the Jerusalem area prior to 1987, up to 11 per cent are expected to settle there in the coming years. 58/ These actions contrast starkly with the provisions of United Nations Security Council Resolution 465 (1980) which determined, inter alia, "that all measures taken by Israel to change the physical character, demographic composition, institutional structure or status of the Palestinian and other Arab territories occupied since 1967, including Jerusalem, have no legal validity and that Israel's policy and practices of settling parts of its population and new immigrants in those territories constitute a flagrant violation of the Geneva Convention... and also constitute a serious obstruction to achieving a comprehensive, just and lasting peace in the Middle East."

24. The right of the Palestinian people to the ownership and use of their land and property continues to be undermined by the widespread demolition and sealing of Palestinian houses. 59/ In 1988 and 1989, 1,576 Palestinian houses were destroyed and 675 were sealed off by the Israeli

authorities, as collective or selective punishments. 60/ The total need for new residential construction in the occupied territory in 1990 has been estimated at 15,000 units, while the average completion rate of new and replacement units in 1986 and 1987 was only 7,000 per annum, implying a critical shortage of dwellings for Palestinian inhabitants. 61/ The authorities scaled down from 18,000 to 7,000 the number of additional housing units planned in one Palestinian suburb of East Jerusalem to help alleviate over the coming years an acute housing shortage. Approval of three master zoning plans for the other Palestinian quarters in the city has been delayed for over three years, while the building of new homes for Israeli settlers in these areas continues unabated. 62/

2. Agriculture and industry: further moves towards Palestinian self-reliance despite new restrictive Israeli measures

25. Palestinian agriculture continues to constitute the pillar of the domestic economy; as such it is the sector which has been most clearly targeted by Israeli policy measures to end the uprising. Though agriculture in the first half of the 1980s was characterized by a generally declining trend (in terms of value of output and share of domestic product and employment), by the eve of the uprising, shifts in methods and patterns of cultivation had encouraged an improvement in sectoral performance. 63/ Overall, in the 1980-1988 period, the volume of Palestinian crop production grew by some 21 per cent, from 747,000 tons to 901,000 tons. 64/ This rate compares favourably with the average growth rate of international agricultural production in the 1980-1987 period (16 per cent), though it is well below the rates registered in most neighbouring Arab countries in the same period. 65/ When increases in the volume of agricultural output were registered in the period prior to the uprising, these were not always translated into tangible benefits in terms of increased agricultural income, owing to weak domestic and export prices and marketing bottlenecks which resulted in unmarketable surpluses and spoilage. The fortunes of the sector remained highly dependent on export opportunities, especially owing to the subsidized and lower-priced Israeli agricultural exports to the occupied territory which had captured part of the Palestinian domestic market. 66/ Inadequate agricultural marketing facilities in the occupied territory continue to act as a major impediment to the sector's growth.

26. The losses suffered by Palestinian agriculture as a result of Israeli measures since the uprising have taken two forms. On the one hand, farmers experienced substantial falls in income due to measures by Israeli authorities or settlers either at the stage of cultivation or of post-harvest. Such measures included curfews, sieges of villages and communities, bans on movement of goods or people, ploughing under crops, tax raids, arbitrary confiscation of produce and unwarranted administrative delays which have left produce rotting in transport. 67/ Seasonal losses since mid-1989 were compounded by falling agricultural prices in the occupied territory, owing, inter alia, to growing unmarketable agricultural surpluses as well as the selective flooding of the local market at peak production times with lower-priced Israeli produce. Meanwhile, the prices of seeds, fertilizers, pesticides and other inputs rose considerably in 1989 owing to inflationary pressures, and many farmers were unable to make the necessary cash payments demanded by Israeli dealers who monopolize the local market for these products. 68/

27. Palestinian agriculture suffered a second category of losses whereby the prospects for the longer-term growth and development of the sector have been impaired through the destruction by Israeli authorities and settlers of substantial agricultural assets, in the form of uprooted fruit orchards and olive groves. While the replacement cost of these latter losses may be ascertainable, the prospects for effecting the re-investment of material and human resources needed to compensate for these losses are not so apparent. For example, in the first 23 months of the uprising, 35,000 olive trees and 21,000 other fruit trees were uprooted by Israeli authorities and settlers in the occupied territory as collective punishments with a total replacement value at over $30 million. 69/ In a spate of attacks in 1989 by Israeli settlers in the West Bank, Palestinian vinyards and olive and almond groves were sprayed with toxic chemicals, causing the destruction of some 400 dunums of vinyards. 70/ At an average replacement cost of $3,000 per dunum (over

the five year period needed for the vines to mature), this amounts to a loss of $1.2 million to farmers in the affected area, not including loss of the season's crop.

28. Notwithstanding the above, some advances have been made by the local farming community which have helped to compensate for losses elsewhere. Though data is not available for the 1988/89 season, official Israeli statistics indicate that in 1987/88, when the full impact of restrictive policies had not been felt, the value of agricultural output of the occupied territory rose to $675 million, including the bumper olive crop valued at $132 million. 71/ This represents an average annual increase of 6 per cent during the two-year period determined by the olive cropping cycle. However, with sharp falls in olive oil prices in export markets as of early in 1989, and a poor season reported in 1988/89, Palestinian farmers fear that aggregate agricultural performance will prove to have been much weaker in 1988/89. 72/ In addition to the olive crop, two other branches contributed to the positive performance in 1987/88, namely the output of the livestock branch and that of vegetables and potatoes. As noted earlier, Palestinian farmers and households have made strenuous efforts since the uprising to increase self-sufficiency in livestock production including dairy and poultry products, with widespread success reported, especially in the West Bank. 73/

29. Data on shifts in cultivated area in the West Bank reveal a variety of factors at work in the agricultural sector. 74/ Overall there has been a drop in West Bank cultivated area from 1,735,360 dunums in 1985 to 1,706,163 dunums in 1989. This reflects mainly the decreased area devoted to fruit trees (a fall of 17 per cent in the 1985-1989 period), vegetables (a fall of 51 per cent) and melons (a fall of 94 per cent). The latter shifts in cultivation have been encouraged by Israeli restrictions on planting of new fruit trees, quotas for certain vegetable crops, rising costs of water, seeds and other inputs, as well as the increasing problems in export and domestic marketing of such crops. On the other hand, trends towards greater self-sufficiency in agriculture are noted in the concomitant growth in cultivated area of cereals and fodder crops (by 29 per cent) and olives (by 4 per cent). This has served to respond to subsistence requirements, especially of the Palestinian rural population, decrease the import of costly cereals and fodder from Israel and abroad, and (in the case of olives) maintain a stake in marginal lands whilst producing a commodity with some export prospects (i.e., olive oil). Meanwhile, the value of output of the vital Gaza Strip citrus branch stagnated at around $26 million during the period 1986/87 - 1987/88, reflecting a precipitous fall in the volume of output from 191,000 tons to 119,000 tons in the same period that was largely offset by higher prices until mid-1988. 75/

30. The plight of the Gaza Strip's once flourishing fishing industry continues to be a cause for special concern. Until 1982, this branch provided the destitute Strip with a lucrative source of employment and income, and constituted an attractive diversification for an economy otherwise dependent on citrus cultivation, remittances, refugee relief payments and menial wage-labour in Israel. As the fishing areas off the Gaza coast were reduced by Israeli restrictions prior to 1988 from 300 to 24 kilometers, ostensibly for 'security' considerations, recent measures have crippled the branch and fishermen have hardly any possibilities to put to sea during the major fishing seasons. This situation has rendered the occupied territory effectively land-locked, in view of the actual land-locked status of the West Bank, and despite the Gaza Strip's 40 kilometre-long coastline on the Mediterranean Sea. New Israeli measures include the erecting of a "security fence" to prevent access to the sea without special tax and security clearance permits, the banning of younger fishermen from practising their profession, and the closure of the beach and the sea for long periods, especially during peak fishing seasons. 76/ As a result of these and previous restrictions, over 110 fishing boats have been abandoned by their owners while others have been damaged owing to long periods of enforced inactivity; 1,100 fishermen and 776 boats were rendered inactive during the closures; other fishermen have been turned into wage labourers in Israel with some of them working without permits in Israeli fishing boats; and, the Gaza Fishermen's Association has had to cease its marketing activities for lack of any marketable surplus.

31. The trends toward self-reliance may also be seen in developments in the industrial sector. Prior to the uprising most Palestinian industrial branches faced a range of constraints, in the form an unattractive investment profile, crippling competititon from lower-priced, subsidized manufactures imported from Israel, inferior quality, deficient marketing facilities and poor export prospects. 77/ Some of them were also involved in sub-contracting that made them an adjunct to Israeli manufacturing. The sector's share in GDP remained low throughout the post-1967 period, at around 7 - 9 per cent. A nascent domestic industrial sector had taken shape by 1987, with local industrialists and workers acquiring good experience in production of certain consumer goods, especially clothing, textiles and leather products, building materials, foodstuffs, pharmaceuticals and plastics, and certain light machinery and metal products. However, sectoral prospects remained dependent on realising several conditions: expanding the local market, substituting imports from Israel and developing export marketing for selected products as well as meeting the growing investment and working capital requirements.

32. The uprising and the spirit of resistance to Israeli economic domination provided an opportunity for Palestinian industry to meet the above-mentioned conditions and explore the prospects of a new path to development. As noted in the UNCTAD secretariat's last report on the subject, 78/ Palestinian industries and entrepreneurs benefitted since 1988 from the shift in consumer preferences towards "national products" by increasing utilisation of existing production capacity and initiation of new lines of production where circumstances permitted. Concurrent efforts were made to promote intersectoral linkages, especially through processing of domestic agricultural produce, while some enterprises which had operated as sub-contractors to Israeli industries reoriented marketing strategies to capture a share of the domestic market. This restructuring of Palestinian industry; data recently available for 1988 indicate falls in gross industrial revenue of 14 per cent in the Gaza Strip and 20 per cent in the West Bank and falls in employment of 11 and 23 per cent respectively. 79/ These were most pronounced in the textiles and clothing and wood products branches (in the Gaza Strip), and in wood products, textiles and clothing, stone and quarrying and metal products (in the West Bank) - most of which are linked to subcontracting to Israeli industries or export to Israel.

33. Palestinian industrial initiatives were intensified and further developed into 1990 in several branches. Encouragement has been forthcoming from, inter alia, local small-scale credit institutions which manage relatively small revolving funds provided as grants by international non-governmental organizations as well as European and Arab multilateral aid sources. One local institution allocates loans of an average size of $10,000 to entrepreneurs in industry, and has helped to establish a large number of innovative industrial ventures. 80/ These activities serve as important pioneering experiences in an economy which had become strictly oriented to a rigid range of traditional industrial activities. Meanwhile, larger-scale industries have also initiated new marketing approaches to respond to changing patterns of domestic and export demand. A cigarette manufacturer in the West Bank has seen domestic sales grow since the uprising, while embarking on an export drive to neighbouring Arab markets and to the EEC where it is hoped to find a niche with a low-priced, good quality product. 81/ Three Palestinian beverage manufacturers in the West Bank and Gaza Strip have been able to monopolize the domestic market at the expense of imports from Israel, while some inroads have been made into Israeli markets as well as trial exports to two East African markets. A West Bank manufacturer of agricultural implements and machinery has had widespread success domestically and the high quality low-priced equipment has also sold well in Israel. 82/ Similar performance has been registered by Palestinian clothing, metal furniture, dairy, biscuit and other food products.

34. The success of small and medium sized Palestinian manufacturing industries in the past two years and their ability to penetrate and compete in the Israeli market, have given rise to pressures for additional restrictions on the entry of Palestinian goods to Israel. The Israeli Minister of Trade and Industry demanded action from the Defence Ministry to halt imports to Israel from the occupied territory, claiming that in the case of products such as nails, shoes, tubes, plastics and cigarettes, the Israeli market was "flooded" with Palestinian exports. 83/ Subsequently, the Israeli

Manufacturers' Association filed a complaint with the authorities against a West Bank macaroni manufacturer, allegedly because the colours of the Palestinian flag appeared on the packaging. 84/ An Association official noted that since the uprising, the Israeli food industry has lost some $100 million in sales due to the success of Palestinian food manufacturers in local Palestinian markets as well as in Israel. Officials of the Israeli trade union organization, the Histadrut, also warned about the "tangible threat" supposedly posed to the Israeli economy by the growth of Palestinian industries and the entry to Israel of inexpensive products which allegedly do not meet Israeli standard quality controls. 85/

35. Following the pressures exerted by Israeli industrial interests, the Israeli authorities issued directives in late 1989 whereby Palestinian exports to Israel would have to be labelled in Arabic. According to an Israeli official, this would "make it easier for Israeli consumers to differentiate between Israeli and Palestinian products, giving them more freedom of choice when purchasing their products", since, "in the long term, growing competition from the territories could jeopardize (Israeli) local industry". 86/ Palestinian economists and businessmen have rejected the claim that Palestinian products threatened Israeli industry, noting that the entire industrial production of the occupied territory was equivalent to no more than 1 per cent of Israeli industrial output, and that most of the products exported to Israel had no alternative in Israel. 87/ Furthermore, such concerns were not evident throughout 23 years of occupation when Israeli products freely entered the occupied territory and dominated the domestic Palestinian market; a number of Palestinian products have never been allowed into Israel. They also point out that the Civil Administration ensures that health and other conditions for Palestinian exports to Israel are met in accordance with Israeli standards.

3. Population, labour force and employment: growing domestic unemployment, reorientation to the domestic economy and less dependence on Israel

36. Official Israeli estimates indicate that at the end of 1988 the population of the West Bank (excluding East Jerusalem) was 895,000, while the Gaza Strip population stood at 589,000. 88/ Combined with the Palestinian population of East Jerusalem (140,000 in 1988), this gives a total Palestinian population in the occupied territory at the end of 1988 of 1,624,000. These figures represent population which is "present" in the territory, excluding "permanent" residents temporarily out of the occupied territory, and suffer from a number of other deficiencies. 89/ When these factors are considered, more accurate estimates for actual Palestinian population in the occupied territory at the end of 1988 are 1,820,000 for "present" population and 1,996,000 for "permanent" population. Overall population growth continues to be relatively high, at an annual rate in 1988 of 3.1 per cent in the West Bank (under 3 per cent in East Jerusalem) and 4.2 per cent in the Gaza Strip, a trend which has intensified in recent years as emigration from the occupied territory has weakened considerably.

37. Initial Israeli estimates for 1988 indicate a low annual growth rate of the working-age population of the occupied territory (aged 15 years and above) of 1.7 per cent. 90/ This reflects a very weak growth rate of working age population in both the West Bank and the Gaza Strip. Consequently, the growth of the active Palestinian labour force in 1988 was low, i.e. at 3.2 per cent in the West Bank and at a rate of -0.5 per cent in the Gaza Strip (representing 5,900 new labour force entrants in the West Bank and 500 labour force "withdrawals" in the Gaza Strip). This contrasts with an annual average of 9,300 new entrants to the labour force in the occupied territory in the 1980-1987 period. On the other hand, the crude activity rate rose to 41 per cent in the West Bank in 1988, while in the Gaza Strip the crude activity rate fell to under 35 per cent. In addition to demographic factors which have constrained labour force growth, other pressures appear to have dissuaded Palestinians (especially in the Gaza Strip) from joining the labour force, most notably the bleak employment prospects facing new Palestinian job-seekers and young graduates. Preliminary data for 1989 indicate a continuation of this trend and even lower labour force growth. 91/

38. Whereas the above figures depict a Palestinian labour force of 289,300 in 1988, data for unemployment and "underemployment" indicate an alarming fall in economic activity in the occupied territory. According to Israeli statistics, the number of those officially registered as unemployed in the West Bank and Gaza Strip rose to 7,400 (a rate of 2.6 per cent) in 1988 and to 10,800 (or 3.7 per cent) in 1989, but these data should be treated with special caution. 92/ Palestinian sources quote higher figures of unemployment for 1989, up to 27,000 or some 9 per cent. 93/ Some of the reasons behind the differences in reported figures relate to the definitions employed and to "the fact that relatively large numbers (thousands) of working-age men are held in detention by Israeli authorities..." 94/ A better indicator of labour conditions is the "underemployment" in the occupied territory, as reflected in the sharp increase in 1988 in the number of Palestinians who only worked part-time (54,500 or 19 per cent of the labour force) and those "temporarily absent from work" (36,600 or 13 per cent of the labour force). 95/ Thus, only 65 per cent of the Palestinian labour force was working full-time in 1988. Added to these were the increasingly narrow opportunities for employment in the neighbouring Arab States, whereby the number of Palestinians from the territory "working abroad temporarily" fell from 11,000 in 1987 to 6,700 in 1988. Of the total number of employed Palestinians in 1988 (281,900), some 39 per cent worked in Israel, with the rest constituting the domestic (employed) labour force (172,500). The sectoral distribution of domestic employment indicates few deviations from the trends of previous years, except for an increase in the share of agricultural employment in total employment to 27 per cent from an all-time low in 1987 of 22 per cent, representing an increase in agricultural employment of some 8,500 workers. While this appears to confirm the "return to agriculture" since the uprising, employment trends in other sectors were more rigid, with only minor falls in the share and level of employment in construction, industry and the trade and services sectors (to 10 per cent, 16 per cent and 47 per cent of total employment, respectively).

39. The interplay between unemployment (and underemployment) and employment in Israel is best illustrated in figures for actual work input of Palestinians employed in Israel in 1988 and 1989. One of the major effects of the uprising has been to encourage widespread absenteeism among Palestinians working in Israel. This was the result of boycotts, increasing discrimination and attacks against Palestinians working in Israel, and Israeli measures to control the flow of Palestinian workers to Israel through a permit system introduced in the Gaza Strip, which has been viewed as a "crucial link in an entire chain of IDF activities designed to enforce the local residents' dependence on the Civil Administration.". 96/ Israeli official data point to stability in the number of Palestinians employed in Israel in 1988, at 109,400, subsequently falling to 105,000 in 1989.97/ The total, excluding 'absentees', is reported at 94,000 in both years, though other Israeli sources consider 80,000 to be a more realistic estimate of the number of Palestinians actually at work in Israel in 1989. 98/ In Israeli statistics "an employed person is defined as such even if working one hour during the week, or even not at all, provided that he has a place of work from which he is temporarily absent". 99/ A more accurate indicator of Palestinian 'absenteeism' from work in Israel is found in work-hours and work-days. These indicators show a sharp decline in Palestinian labour supply to the Israeli economy, with a 24 per cent fall in work hours and a 23 per cent fall in work-days in 1988, followed in 1989 by an increase of 2 per cent in the former (to an average of 35 hours per week) and a new fall of 3 per cent in the latter (to an average of 16 days per month). 100/ This helps to elucidate the actual extent of unemployment or underemployment of Palestinians since the uprising, especially those previously working in Israel. While the domestic Palestinians economy witnessed a similar degree of decline in labour input in 1988, it was possible to reabsorb only some of the displaced labour in 1989, manifesting a gradual structural reorientation of the Palestinian economy under the influence of the uprising.

4. Monetary and fiscal situation: intensification of constraints

40. One of the major factors considered to have exerted tremendous pressure on the living conditions of the Palestinian people during the period under review has been a drastic deterioration in monetary conditions. The sharp and rapid decline in the value of the Jordanian dinar, the major currency in circulation in the territory has reduced purchasing power. New Israeli restrictions on

the amounts of funds permitted to enter the occupied territory, including remittances and foreign aid, have equally contributed to reducing Palestinian disposable income. Previous UNCTAD secretariat reports have recommended measures of financial reform in the occupied territory. 101/ The only notable measure acted upon by the Israeli authorities until mid-1990 was the permission granted to the Bank of Palestine in Gaza, following its appeal to the Israeli High Court of Justice, to reopen its branch in the town of Khan Yunis closed since 1967 and to deal in foreign currency.102/ The closure of all Israeli bank branches in the Gaza Strip since the uprising appears to have been a factor in persuading the authorities to accede to this longstanding request. While the Cairo-Amman Bank has continued to expand its activities in the West Bank, mainly in accepting deposits and managing transfers and certain credit operations, the few remaining branches of Israeli banks in the occupied territory have halted credit to Palestinian industrialists and Israeli suppliers of raw materials no longer accept their cheques or offer credit. 103/

41. The fall in the value of the Jordanian dinar since 1988, widely circulated since 1967 in the West Bank as a means of transaction and store of value, was caused by a combination of factors, mostly related to economic developments in Jordan, though local dynamics in the territory contributed to making the decline more pronounced in the West Bank. 104/ These included a massive flow of dinars previously kept as savings, into the occupied territory for conversion into Israeli shekels to cover immediate transactions. The fall in value of the dinar continued erratically until the middle of 1989, at which point its value in the territory bottomed out at under 40 per cent of its pre-1988 level. Subsequently, a series of stabilization measures taken in Jordan and locally in the territory, aimed at supporting the dinar and reducing its excessive supply in the territory, succeeded in halting its decline; by the end of 1989 its value was re-established at 50 per cent of its original level. Neverthless, the decline in its value reduced the purchasing power of most salaried employees in the West Bank, cut heavily into household and business savings and disrupted the export earnings of those involved in trade with/through Jordan. One immediate consequence was a series of rent and labour disputes in the occupied territory. Threatened strike action by employees of different public service branches as well as the local staff of UNRWA was aimed at realising demands for wage rises to compensate for the fall in the value of the dinar. Most disputes were soon resolved through adjusting rental agreements and raising salaries. 105/ The impact of the falling value of private income was compounded since mid-1989 by a re-emergence of inflationary trends in the occupied territory, largely "imported from Israel." 106/

42. The other major factor which has contributed to the rapidly deteriorating standard of living in the occupied territory, constrained business expansion and reduced savings has been the utilization by Israeli authorities of tax collection as a means of collective punishment of Palestinians during the uprising and asserting Israeli control in the territory. Even prior to the uprising, Israeli fiscal policies and practices in the occupied territory aimed primarily to increase government revenue and align the territory to Israeli economic interests rather than stimulate economic activity, improve resource allocation or achieve other socio-economic objectives in the territory. 107/ Since 1988 such tendencies have been accentuated, as Israeli expenditures on services in the occupied territory have been cut and vigorous and sweeping campaigns have continued to collect taxes from an increasingly impoverished population. The UNCTAD secretariat has made numerous suggestions for improving the fiscal system in general and the tax system in particular, however the measures taken by the occupation authorities have been quite different.

43. In 1989 Israeli tax authorities aided by military forces carried out at least 135 collective raids on villages, refugee camps, and towns to enforce payment of income tax, value added tax and other taxes, fees or fines. 108/ This was in addition to the countless raids against individual homes, charitable institutions and businesses, which continued into 1990. It has become standard procedure for Israeli officials to make arbitrary tax assessments with scant regard to their relevance to actual incomes of those assessed, and property, funds, documents and identity papers are routinely confiscated or damaged during these raids. In the second year of the Palestinian tax boycott, tax revenue from the occupied territory had declined by a third. 109/ By the end of 1989, after six months of intensive tax raids and forced collection, revenues were estimated to have

almost regained pre-1988 levels. But the entire amount is collected from only half of eligible tax payers, thus significantly increasing the tax burden on those who are forced to pay. 110/

44. The most prominent example of Israeli taxation practices in the occupied territory centred on the once-prosperous town of Beit Sahour in the West Bank, which the Israeli authorities kept under curfew and siege for six weeks in late 1989. 111/ As Israeli authorities carried out daily raids in the town to force payment of taxes, the 12,000 residents joined together in refusing to pay. They explained their resistance by stating that "the military authorities do not represent us and we did not invite them to come to our land. The principle is no taxation without representation." 112/ By the end of the Beit Sahour campaign, the Israeli authorities had taken measures against 320 tax resisters, arrested 40 for not paying taxes, froze $600,000 in bank deposits of 500 residents, and confiscated goods estimated officially at over $1.5 million for subsequent sale by tender in Israel.113/ The local economy, dependent on commerce, tourism and light industry, was devastated by the campaign but communal solidarity helped relieve the worst affected sectors.

45. A recent legal investigation of these issues has observed that "contrary to official claims, taxes in the West Bank do not appear to be collected under the terms of the license granted by international law." 114/ The investigation concludes, inter alia, that imposition, assessment, and collection of taxes by the Israeli authorities have violated, in law and in practice, the norms of international legality. The condition that all revenues collected should be returned to the occupied territory appears to have been unfulfilled owing to Civil Administration accounting procedures which exclude many items of revenue from the budget. Accordingly, current attempts by the authorities to collect taxes under the present distorted system fall outside their authority to do so, and refusals by the Palestinian people to pay taxes are justified on the basis that tax collection by the Israeli authorities is ultra vires and thus null and void. Furthermore, a report by an Israeli civil rights group concluded that the Israeli Military Order No. 1262 of December 1988 which makes the issue of licenses and permits to Palestinians conditional on payment of taxes "would not have stood the test of the principles of Israeli law." 115/ Referring to the methods employed by the Israeli authorities to collect taxes, the Head of the Israeli VAT Department stated: "If I tried to apply some of the measures used in the territories in order to collect taxes inside (Israel), I would be hanged in Zion Square." 116/

5. External trade performance - from bad to worse

46. Palestinian external trade was not spared the disruptive effects of Israeli policies and practices since the uprising, some of which have been referred to in previous sections. In addition to longstanding imbalances in the conditions governing Palestinian external trade with major partners,117/ the sector continues to suffer from an absence of the infrastructural facilities and regulatory environment conducive to its effective functioning. The potential dynamism that external trade could impart to the productive sectors through stimulating export branches and rationalising imports and domestic production-consumption linkages, is lost in the web of Israeli restrictive regulations, administrative complications, physical barriers and arbitrary trading practices. The minimal achievements of recent years were the fruit of the joint efforts of the Palestinian export community and regional and international co-operation, rather than of any committment from the Israeli authorities to improving the conditions governing Palestinian trade. Since the uprising, attempts by Israel to intensify its control of the Palestinian economy have taken their toll on Palestinian external trade, which has declined to critically low levels incompatible with the role the sector should play in stimulating Palestinian economic growth.

47. Comprehensive balance-of-payments data for the occupied territory for 1988 and 1989 have not been published, but it is possible from available information to discern the broad outlines of trade performance in those years. In 1988, the total value of Palestinian merchandise trade fell by 31 per cent to under $1 billion. 118/ This indicates how developments in the trade sector closely followed declines in economic performance since the uprising and the corresponding restructuring

of Palestinian international economic relations. In 1988, Israel absorbed 76 per cent of total exports of the territory (compared to 79 per cent in 1987) and provided 84 per cent of its imports (91 per cent in 1987). Exports to/through Jordan and imports from the rest of the world (excluding from/through Jordan) accounted for much of the balance of merchandise trade in 1988. The Palestinian balance of payments position with Israel has improved steadily since 1988. The total value of trade with Israel dropped by 21 per cent from $2,121 million in 1987 to $1,666 in 1989. From a current account deficit in goods and services of $175 million in 1987, the occupied territory registered a $42 million deficit in 1988 and, for the first time since 1967, a surplus of $52 million in 1989. 119/ This remarkable turnabout reflects a 35 per cent decrease in merchandise imports from and exports to Israel of $600 million and $200 million, respectively, in 1989, and a minor decrease in service exports and imports (of 1.5 and 6 per cent, respectively). Merchandise trade has traditionally been in deficit and service trade in surplus in the Palestinian balance of payments with Israel.

48. Palestinian export performance since 1988 in traditional regional markets has been discouraging. The value of exports to/through Jordan fell in 1988 by 33 per cent to $52 million, a level not witnessed since 1975 and well below the maximum reached of $125 million in 1982. This trend reflects export declines which predate the uprising but were accentuated noticeably in 1988. Weak regional demand since 1982 has been a major factor in this trend, while continued Israeli constraints, high costs and other aspects of inadequate marketing facilities in the occupied territory have also acted in reducing the competitiveness once enjoyed by Palestinian exports. 120/ Export performance of most agricultural branches in 1989 appears to have further weakened, especially since parts of key export crops were destroyed or lost owing to poor transport facilities and Israeli administrative measures. Other contributing factors include increased domestic output of similar crops in some regional markets and depressed demand in others. Whereas 36,000 tons of vegetables, 21,200 tons of citrus fruits and 12,100 tons of other fruits were exported from the West Bank to/through Jordan in 1987, by 1989 the figures were 580 tons, 2,560 tons and 5,980 tons, respectively. 121/ Sizeable quantities (over 7,000 tons) of stocked olive oil were exported to Jordan in 1989 which helped compensate for the overall decline in export earnings. Gaza Strip citrus fruit exports, which used to constitute the bulk of the Gaza exports to Jordan, have also declined precipitously in recent years owing to the severe constraints which confront production and marketing in this vital branch. For example, at the high point of the 1990 citrus export season, Israeli authorities at the Jordan River bridge crossing point impounded for over a week 50 trucks of citrus exports, giving no reason and leading to spoilage of most of the produce. 122/ Similar bans are regularly placed on the movement of agricultural produce from the Gaza Strip to the West Bank, the most recent of which lasted for 10 days in March 1990. Citrus fruit exports to/through Jordan from the Gaza Strip declined from 58,000 tons in 1987 to 35,000 tons in 1989. 123/ Preliminary 1990 data indicate a substantial improvement in exports to/through Jordan of some 90,000 tons. 124/

49. The hopes for partial relief to the Palestinian external trade sector which accompanied the commencement in 1988 of direct exports to EEC markets on preferential terms have not been fully realised after two seasons of "trial exports". Despite setbacks in 1988/89 in the first direct exports to the EEC, Palestinian exporters planned to ship some 25,000 tons of citrus from the Gaza Strip to EEC markets in 1989/90 125/ and over 500 tons of aubergines and other vegetables from the West Bank. 126/ However, at least 500 tons of citrus were spoiled by Israeli "security controls" at Ashdod port, 127/ contributing to a subsequent deterioration of the quality of the fruit upon its arrival in Europe. 128/ Israeli "administrative delays" continue to hamper air shipments of vegetables from the West Bank, regarded as "an act of discrimination" against West Bank farmers.129/ These actions provoke an uncertain and unpredictable export climate, discourage importers and deter potential exporters from risking entry to new markets, especially since inadequate domestic marketing facilities continue to impair the quality and competitiveness of Palestinian exports.

50. Now that the issue of direct access of Palestinian exports to EEC markets has been resolved in principle, it is hoped that the Israeli authorities will respond favourably to calls for duty-free treatment of European exports to the occupied territory. 130/ This would allow for a further restructuring of Palestinian trade patterns and diversifying import sources, while also eliminating the need for Palestinian importers to use Israeli agents and importers to effect import operations on behalf of the occupied territory as is presently the case. Such a move could also allow Palestinian reciprocity in exchange of trade concessions with markets covered by the Global System of Trade Preferences (GSTP) among developing countries members of the Group of 77 which, in 1988, called for granting trade concessions and concrete preferential measures to Palestinian exports. The possible modalities and regulatory environment for such a step certainly require detailed study and negotiation. In the absence of Israeli approval of the request for reopening of the Gaza Strip commercial seaport, 131/ it is feasible to envisage 'transit' arrangements through Israeli ports for European exports to enter the occupied territory without penetrating the Israeli market. Arrangements could aim, inter alia, to ensure that Israeli protectionist measures with regard to its domestic industries are not impaired.

6. Concluding observations

51. The preliminary Israeli estimates of major economic indicators for 1988 in the occupied territory depict a situation where economic performance clearly departed from the growth trends of preceding years. Not all of the more recent trends have been negative, however. For example in the case of agriculture, the efforts of the Palestinian people to bring about a domestic economic revival can be considered to have met with some success, as attested to by the increased agricultural output (excluding the olive crop) of 1988 as against the decline of agriculture in the years preceding the uprising. However, the overall contraction in output and income confirms the concern expressed in previous UNCTAD secretariat reports that, under severe conditions of occupation, the Palestinian economy cannot generate resources for a sustained pattern of growth and development. The deepening vulnerability of the domestic economy to the disorders engendered by occupation and to inequitable relations with the Israeli economy can, at best, be mitigated temporarily through local initiatives such as those undertaken since 1988. Even so, that has been at a considerable cost in terms of reduced income, consumption, savings and investment. The Palestinian economy remains locked in a situation whereby the potential positive impact of increases in domestic output is undermined by the dependence on external income sources and the need to regularly replenish and compensate for human, material and other losses since the uprising.

52. There are therefore no indications of improvement in the economy of the occupied territory in the period under review; indeed, developments in most sectors point to a deterioration in performance while prospects for reversing current trends appear dim. While longer-term Palestinian economic development remains doubtful under conditions of prolonged military occupation, the failure of the authorities concerned to act positively to bring about economic reform and liberalization has led to growing frustration on the part of the Palestinian people in the occupied territory. Accordingly, the recommendations for economic policy reform and restructuring in previous UNCTAD secretariat reports and studies acquire greater urgency and relevance. The feasibility of the policy measures proposed to ameliorate Palestinian economic conditions was, and continues to be, based on a careful and balanced examination of the economic problems and potentials of the occupied Palestinian territory, and are designed to lead the Palestinian economy on to the path of sustained economic growth and development. More than ever before, the support and encouragement of the international community is required to help those concerned - Israelis and Palestinians - to take the bold steps necessary to place the Palestinian economy on such a path. One prerequisite in this respect is the increased assistance of the international community to the Palestinian people and a more active involvement in the development of their economy, on multilateral and bilateral bases. Such efforts at economic revival in the occupied territory could usefully recognise and build upon the initiatives of the

Palestinian people in increasing economic self-reliance and establishing a durable domestic base for sustained economic development.

53. While the Israeli authorities could reconsider the possibilities for implementing the broad policy reforms outlined in previous UNCTAD reports and studies, certain steps could be taken now with a view to relieving tensions, providing immediate relief and encouraging a measure of economic revival in the prevailing circumstances. These include:

a. Halting the demolition of Palestinian homes as collective punishments, and allowing Palestinian communities to implement residential and related construction schemes to ease the housing crisis in the occupied territory;

b.Ending the siezure of Palestinian land, restrictive controls over Palestinian water resources, the establishment of new settlements and the expansion of existing ones in the occupied Palestinian territory;

c. Refraining from applying collective punishments against Palestinian agriculture, especially the destruction of agricultural stock and crops, and easing restrictions on movement of produce to local markets in and between the West Bank and Gaza Strip;

d. Allowing Palestinian fishermen to resume full-time, unrestricted fishing off the coast of the Gaza Strip and to prevent the demise of this vital branch;

e. Lifting selective restrictions on the flow of labour between the occupied territory and Israel, thus permitting workers to choose freely the location and conditions of their employment;

f. Ending the indiscriminate tax-collection campaigns and raids on Palestinian communities, and easing the crippling tax burden imposed on the Palestinian people with scant regard to actual income levels and ability to pay, especially of the more impoverished population groups;

g. Applying equitable and reciprocal measures with regard to industrial and agricultural trade between the occupied territory and Israel, as well as between the territory and the rest of the world, including serious consideration of the possibilities for allowing direct imports to the occupied territory from EEC and other sources; (the successful outcome of negotiations to permit direct Palestinian exports to EEC markets serves as a promising example of how to resolve such complex and sensitive issues);

h. Lifting controls and restrictions placed on international humanitarian and development assistance to the occupied territory, especially that provided by United Nations and other multilateral sources.

Part II

REVIEW OF PROGRESS IN THE WORK OF THE SPECIAL ECONOMIC UNIT (PALESTINIAN PEOPLE), UNCTAD SECRETARIAT, 1989/1990

54. In accordance with the provisions of Conference resolutions 146(VI) and 169(VII) and the work programmes of UNCTAD for the two biennia 1988-1989 and 1990-1991, the work of the Special Economic Unit within the UNCTAD secretariat during the period under review (July 1989 - June 1990) was concentrated on four main areas of activity, namely: (a) monitoring and analysing policies and practices of Israeli occupation authorities that hamper economic development in the occupied Palestinian territory; (b) investigating the impact of such policies and practices on key economic sectors; (c) developing the data base of the Unit for the dissemination of information on the economy of the occupied Palestinian territory; and (d) contributing to the relevant activities of the organizations of the United Nations system on the economy of the occupied Palestinian territory pursuant to General Assembly resolutions. In carrying out its work in these areas, the secretariat maintained close consultations with the representatives of Palestine and other authorities concerned.

55. In addition to the preparation of the 1990 report of the UNCTAD secretariat on "Recent economic developments in the occupied Palestinian territory" (TD/B/1266), an in-depth study was initiated on "Tourism and related activities in the economy of the occupied Palestinian territory". This study, due for completion at the end of 1990, complements the one which was recently prepared by the UNCTAD secretariat on "Palestinian external trade under Israeli occupation" (UNCTAD/RDP/SEU/1). Following an analysis of the significance of tourism and related services for the Palestinian economy, the study examines the performance of tourism prior to and since the Israeli occupation. Emphasis is focused on factors affecting the performance of this sector up to 1987 and subsequently during the uprising. Special attention is given to an assessment of its immediate needs and to prospects for its revival and long-term development.

56. Substantive work on the inter-sectoral study continued, provisionally entitled "The occupied Palestinian terrritory (West Bank and Gaza Strip): prospects for sustained economic development". Following a comprehensive and in-depth examination of the state of Palestinian economy, the study will attempt an analysis of the potentials of its development at the overall and sectoral levels under varying assumptions. The approach to be followed is based on a macro-economic analysis of resource availabilities and uses under alternative scenarios, including one for an independent and more self-reliant Palestinian economy. This will entail identifying different growth and development objectives, priorities and targets within a specified time frame as well as outlining alternative strategies and policy options. Particular attention will be given to those sectors and areas in which the territory would clearly demonstrate comparative advantages and provide possibilities for promoting external complementarities. Based on the results of the analysis, efforts will be focused to formulate a consolitated substantive frame of reference for action outlining strategy guidelines and policy options at various levels.

57. A number of United Nations organisations, as well as regional, Arab and non-Arab organizations, were consulted 132/ with the view to co-ordinating efforts and, where possible, soliciting association with UNCTAD in the preparation of the study. Some organizations have agreed to provide substantive inputs to the study while others (i.e. the General-Secretariat of the League of Arab States, the Arab Industrial Development Organization, the OPEC Fund for International Development) have also offered financial contributions. In addition, the United Nations General Assembly, under resolution 44/174, has made resources available for the preparation of the study. With the resource requirements of the study having been met, the UNCTAD secretariat has completed substantive arrangements for commencing the preparation of the study through, inter alia, calling on external expertise as appropriate. These arrangements also include the preparation of 24 detailed outlines of studies on various economic and social

sectors/issues covered under the overall inter-sectoral study. The overall intersectoral study is expected to be completed by the end of 1991.

58. The UNCTAD secretariat intensified its efforts in collaboration with the International Trade Centre UNCTAD/GATT by formulating a project proposal for the preparation of a feasibility study for the establishment of a marketing centre in the occupied Palestinian territory as called for in Conference resolution 169(VII). Accordingly, a team of five experts, four from ITC and one from the UNCTAD secretariat, was commissioned to visit the occupied Palestinian territory to conduct the study. The United Nations Development Programme agreed to finance the mission under its Programme of Assistance to the Palestinian People. The investigation of the Mission confirms the urgent need for an indigenous marketing facility in the occupied Palestinian territory to promote and market the exports of Palestinian agricultural products. It has established both economic and financial feasibility of such a facility. The report of the team of experts, including the feasibility study, has been completed and submitted to the UNDP for its consideration and subsequent action leading to the establishment of the marketing centre in the occupied Palestinian territory.

59. The UNCTAD secretariat's proposal for establishing an "Investment projects evaluation centre" in the occupied Palestinian territory has received increasing support. The proposal is aimed at initiating and developing Palestinian capabilities in resource allocation and management at both the entrepreneural and institutional levels. The project proposal (UNCTAD/RDP/SEU/Misc. 1) has been issued for restricted circulation to governments and international organizaions with a view to soliciting contributions towards its implementation.

60. The secretariat also intensified its efforts to develop a data base on the economy of the occupied Palestinian territory. As part of the preparatory work for the inter-sectoral study, work initiated work entailed structuring the statistical base of the Unit in line with the Economic Time Series (ETS) used by the UNCTAD secretariat.

61. In line with the requirements of work programme implementation, including consultations and field investigation, the UNCTAD staff fielded missions to Cairo, Amman and Tunis. These entailed meetings with officials of the Governments of Egypt and Jordan, as well as those of Palestine. With respect to access by UNCTAD staff to the occupied Palestinian territory, the Israeli authorities have shown some flexibility but still place restrictions on the designation of staff members for such access. These restrictions were applied in the case of the above-mentioned ITC/UNCTAD mission. During the period under review, the UNCTAD secretariat was represented in various United Nations and other meetings, covering items concerned with assistance to the Palestinian people. These included: (i) the second regular session of the Economic and Social Council, 5-28 July 1989; (ii) the Sixth United Nations International NGO meeting on the Question of Palestine, 30 August- 1 September 1989; (iii) the UNIDO Seminar on prospects for the Palestinian industrial sector, 11-13 October 1989; (iv) the 1990 Preparatory Planning Meeting for the Seventh United Nations International NGO Meeting on the Question of Palestine, 26-27 March 1990; (v) the Forty-Third World Health Assembly, 7-18 May; (vi) the Second informal inter-agency meeting on co-operation for an effective response by the United Nations system to the economic and social needs of the Palestinian people in the occupied Palestinian territory, 29-30 May 1990; (vii) the International Labour Conference, Seventy-Seventh Session, 6-27 June 1990. The secretariat provided substantive contributions to some of the above-mentioned meetings and to others that it could not attend owing to time and financial constraints.

Notes

1/ The designations "the occupied territory" and "the territory" in this report refer to the occupied Palestinian territory (West Bank, including East Jerusalem, and the Gaza Strip.) See General Assembly resolution 43/176.

2/ For a more thorough analysis of developments in the Palestinian economy during the two decades 1967-1987, see UNCTAD, "The Palestinian financial sector under Israeli occupation" (UNCTAD/ST/SEU/3/Rev.1), Chap. I and "Palestinian external trade under Israeli occupation" (UNCTAD/RDP/SEU/1), Chap. I.

3/ Jerusalem Post, 30/6/89.

4/ Jerusalem Post, 7/11/89.

5/ Jerusalem Post, 2/11/89.

6/ Haaretz, 22/2/90 (in Hebrew).

7/ This was most clearly manifested during the campaign of forced tax collection in the West Bank town of Beit Sahour, when the Israeli Minister of Defense stated that "we intend to teach them a lesson...the attempt to refrain from paying taxes will not prevail and we will not allow this civil disobedience to succeed. We must win this test of wills and we should say to them: abandon this attempt, because we will not retreat even if the curfew remains imposed on Beit Sahour for many months." Haaretz, 11/10/89 (in Hebrew).

8/ Jerusalem Post, 7/11/89.

9/ Jerusalem Post, 13/2/90, 23/2/90.

10/ Jerusalem Post, 12/7/89.

11/ A detailed listing of specific practices and policy developments may be consulted in "Data base extracts on economic issues and related Israeli practices in the occupied Palestinian territory (West Bank and Gaza Strip), 1989" (UNCTAD/RDP/SEU/4).

12/ These policies are embodied in the broad policy guidelines regularly issued since the beginning of the uprising (See Filasteen al Thawra (in Arabic) for reference to the periodic communiqu/s of the "Unified National Command of the Uprising" since December 1987), the programmes and projects of local development institutions and committees, and in various indicators of professional and public opinion.

13/ See eg., Al Fajr, 4/9/89; Jerusalem Post, 2/11/89 and 31/1/90; Al Hayat, 7/11/89, 15/5/90 (in Arabic).

14/ The Director-General of the Department of Economic Affairs of Palestine in Al-Hayat, 24/4/90 (in Arabic).

15/ A viewpoint of an official of the Federation of Palestinian Chambers of Commerce which appears to be widely shared among Palestinians. See Al-Hayat, 7/11/89 (in Arabic).

16/ An-Nahar, 23/1/90 (in Arabic); Sawt al Bilad, 15/1/90 (in Arabic).

17/ Al-Hayat, 14/11/89 (in Arabic).

18/ Al-Hayat, /4/90 and 3/5/90 (in Arabic).

19/ Al-Hayat, 7/11/89 (in Arabic).

20/ Resolution of the December 1989 session of the Council (in Arabic).

21/ See General Assembly resolutions 44/174 and 44/235; UNESCO resolution 25C/20 of 15 November, 1989; FAO resolution 1/89 of 29 November 1989; UNIDO resolution (GC.3/L1) of 21 November 1989; WHO resolution WHA/43.26 of 17 May 1990.

22/ Statement by UNRWA Director of Health to the Forty-third World Health Assembly, 17/5/90. See also Middle East International, 3/11/89; Jerusalem Post, 30/6/89 and 20/10/89 .

23/ UNRWA, "Annual Report of the Director of Health, 1989" (document of the World Health Assembly A/43/INF.DOC./1) p. 15.

24/ UNDP, Programme of Assistance to the Palestinian People, "Project Status Report and Expenditure Analysis" May 1989. See also, Al-Hayat, 21/10/89 (in Arabic).

25/ UNDP, Report of the Administrator, "Programme implementation; special programmes - assistance to the Palestinian people" (DP/1990/84).

26/ International Coordinating Committee for NGOs on the Question of Palestine, "The role of foreign assistance in meeting the economic and social development requirements of the Palestinian people" (Geneva, ICCP, 1990). See also Al Fajr, 9/4/90 and 18/6/90 for accounts of Israeli delays and obstacles to the entry to the occupied territory of ambulances donated by international organizations and NGOs.

27/ Middle East International, 15/12/90.

28/ Ibid. and Special United Nations News Service, 7/3/90.

29/ Israel, Central Bureau of Statistics, Statistical Abstract of Israel, (Jerusalem, CBS, 1989) p. 98.

30/ "Recent economic..." (TD/B/1221).

31/ Unless otherwise mentioned, statistical data in this report do not cover East Jerusalem, which is excluded from Israeli official series for the occupied territory.

32/ See Jerusalem Post, 9/1/90. The Israeli Central Bureau of Statistics released some figures for 1988, but these were expressed in percentage terms, thus rendering it difficult to make detailed comparisons with previous years or to arrive at consolidated estimates for the occupied territory as a whole.

33/ Jerusalem Post, 22/11/89.

34/ Low growth was reported in Israeli aggregate and per capita GDP in 1989, caused, inter alia, by large falls in output of the branches of the Israeli economy dependent on Palestinian labour and sub-contracting (eg. textile and leather industries); see, Jerusalem Post, 17/5/90.

35/ See eg., Jerusalem Post, 23/2/90; Al-Fajr, 19/2/90.

36/ This figure is calculated from the above-mentioned GNP estimates and population figures estimated for 1989 on the basis of the 1988 population data. See Israel, CBS, "Statistical Abstract... 1989", p. 700.

37/ Jerusalem Post, 23/2/90.

38/ See T. Ata/v, "The Use of Palestinian Waters and International Law" (London, EAFORD, n.d.).

39/ See "Recent economic..." (TD/B/1221), para. 42; also see Al-Hayat, 17/5/90 (in Arabic).

40/ Middle East International, 26/5/89.

41/ Jerusalem Post, 8/8/89.

42/ Ibid.

43/ Al-Fajr, 6/11/89.

44/ United Nations, Israeli Settlements in Gaza and the West Bank (UN, 1982), Annex I.

45/ Calculated from figures quoted in International Labour Office (ILO), "Report of the Director-General", Appendices (Vol.2), 1990, p. 53. Also see M. Benvenisti and S. Khayat, The West Bank and Gaza Atlas (Jerusalem, West Bank Data Base Project, 1988) pp. 138-140; and, K. Ayed, Settler Colonialism in the Occupied Arab Areas Under the Likud, 1977-1984, (Beirut, Institute for Palestine Studies, 1986) (in Arabic).

46/ Data compiled in Filasteen al Muhtalleh, Vol. V, No. 60, December 1989 (in Arabic).

47/ Ibid.

48/ Jerusalem Post, 17/4/90; 19/4/90; 22/4/90; also see ILO, "Report of the Director-General...", para. 96 and pp. 53-56.

49/ Jerusalem Post, 9/3/90, 23/4/90, 25/4/90; Haaretz, 8/3/90 (in Hebrew); Al Fajr, 23/4/90.

50/ Jerusalem Post, 9/3/90.

51/ Calculated from Jerusalem Post, 9/3/90 and M. Benvenisti and S. Khayat, "The West Bank...", pp. 32 and 113.

52/ See, for example, Haaretz, 5/3/90 (in Hebrew).

53/ Israel, CBS, "Statistical Abstract...1988", pp. 156 and 165-167.

54/ Maariv, 17/5/90 (in Hebrew). Also see, G. Kosseifi, "Jewish Immigration to Palestine, 1948-1989", Journal of Social Studies, Kuwait University, Summer 1990 (in Arabic).

55/ Jerusalem Post, 27/2/90.

56/ M. Benvenisti, The West Bank Database Project 1987 Report, (Jerusalem, WBDP, 1987), pp. 57-62.

57/ Israel, CBS, "Statistical Abstract...1988" pp. 156 and 165-167.

58/ Kosseifi, "Jewish immigration..." op.cit.

59/ See eg., Rasem Khamaisi, Israeli planning policy and destruction of buildings in the West Bank, (Jerusalem, PASSIA, 1989) (in Arabic).

60/ "Filasteen al Muhtalleh..." op.cit.; also see Jerusalem Post, 29/1/90.

61/ Palestine Liberation Organisation, Department of Economic Affairs, "Memorandum on Popular Housing Needs for 1990 in the Occupied Territory", January 1990 (in Arabic).

62/ Al-Fajr, 27/11/89, 2/4/90; Jerusalem Post, 25/2/90.

63/ See "Recent economic..." (TD/B/1221), paras. 43-51.

64/ Calculated from Israel, CBS, "Statistical Abstract... 1983 and 1989" pp. 787 and 731 respectively.

65/ According to FAO statistics reported in Arab Times, 26/7/89.

66/ See "Palestinian external trade..." (UNCTAD/RDP/SEU/1), pp. 46-48 and 59-62.

67/ Middle East International, 8/9/89.

68/ Al-Fajr, 11/9/89; Sawt al Bilad, 15/12/89 (in Arabic).

69/ Arab Studies Society, "Violations of agriculture and exporpriation of land in the West Bank and Gaza Strip" (ASS, Jerusalem, October 1989) (in Arabic).

70/ Jerusalem Post, 27/7/89, 8/8/89; Al-Fajr, 31/7/89, 21/8/89; Sawt al Bilad, 1/10/89 (in Arabic).

71/ Israel, CBS, "Statistical Abstract...1989" p. 731.

72/ Sawt al Bilad, 15/12/89 (in Arabic).

73/ Al-Fajr, 11/9/89; Jerusalem Post, 2/11/89.

74/ Data for 1985 calculated from Najah University "Statistical Bulletin for the West Bank and Gaza Strip, Vol. 6, 1985; data for 1989 provided by the Technical Bureau of the Jordanian Palestinian Joint Committee, Amman, 1990.

75/ Jerusalem Post, 2/11/89. Also see Filasteen al Thawra, 7/1/90 (in Arabic).

76/ Al-Fajr, 3/7/89, 27/11/89, 14/5/90.

77/ See "Palestinian external trade..." (UNCTAD/RDP/SEU/1), pp. 15-18, and Chaps. 3 and 4.

78/ "Recent economic...", TD/B/1221, paras. 52-61.

79/ Israel, CBS, "Statistical Abstract...1989", pp. 734-5.

80/ Jerusalem Post, 31/1/90.

81/ Jerusalem Post, 13/2/90.

82/ Filasteen al Thawra, 13/5/90 (in Arabic).

83/ Jerusalem Post, 27/9/89.

84/ Jerusalem Post, 26/10/89.

85/ Jerusalem Post, 30/10/89.

86/ Jerusalem Post, 7/11/89.

87/ Al-Fajr, 13/11/89.

88/ Israel, CBS, "Statistical Abstract...1989", p. 700.

89/ M. Benvenisti and S. Khayat, "The West Bank...", pp. 27-30.

90/ Israel, CBS, "Statistical Abstract...1989", p. 716. For years prior to 1986, working-age population included persons aged 14 years and above.

91/ ILO, "Report of the Director-General..." p. 11.

92/ Ibid. for 1989 figures.

93/ Jerusalem Post, 31/1/90.

94/ ILO, "Report of the Director-General ...", p. 18.

95/ Israel, CBS, "Statistical Abstract...1989" pp. 716-720.

96/ Jerusalem Post, 24/7/89; also see Middle East International, 21/7/89, 22/9/89, 3/11/89; Al-Fajr, 11/9/89; Al-Malaf, February, 1990 (in Arabic).

97/ Ibid. and ILO, "Report of the Director-General..." p. 98.

98/ Jerusalem Post,,13/10/89.

99/ Israel, CBS, "Statistical Abstract...1989" p. 102.

100/ ILO, "Report of the Director-General..." p. 98.

101/ See "Recent economic developments in the occupied Palestinian territory" (TD/B/1142); "Recent economic..." (TD/B/1221).

102/ Jerusalem Post, 17/8/89.

103/ Jerusalem Post, 23/2/90.

104/ See Jerusalem Post, 27/7/89; Al-Fajr, 7/8/89, 14/8/89, 21/8/89, 28/8/89.

105/ Al-Fajr, 21/8/89, 28/8/89.

106/ Al-Fajr, 7/8/89.

107/ See "The Palestinian financial sector..." (UNCTAD/ST/SEU/3/Rev.1.) Chap. 3.

108/ "Data base extracts..." (UNCTAD/RDP/SEU/4).

109/ Haaretz, 20/10/89 (in Hebrew).

110/ Haaretz, 24/11/89 (in Hebrew).

111/ Middle East International, 3/11/89; also see Jerusalem Post, 29/9/89, 3/10/89, 6/10/89, 18/10/89, 20/10/89, 31/10/89; International Herald Tribune, 29/9/89; New Outlook, November 1989, p. 23; Al-Malaf, November 1989 (in Arabic).

112/ Jerusalem Post, 20/10/89.

113/ Al-Fajr, 6/11/89.

114/ Marc Stevens, Taxation in the Occupied West Bank, 1967-1989 (Ramallah, Al-Haq, 1990), quoted in Al-Fajr, 23/4/90.

115/ Jerusalem Post, 27/2/90.

116/ Haaretz, 31/10/89, (in Hebrew).

117/ See "Palestinian external trade..." (UNCTAD/RDP/SEU/3).

118/ Unless otherwise mentioned, figures in this section are calculated from Israel, CBS, "Statistical Abstract...1989" p. 709 and Israel, CBS, "Monthly Bulletin of Statistics" No. 11, November 1989, pp. 8-9.

119/ Provisional official data for 1989 is reported in Jerusalem Post, 1/6/90.

120/ See "Palestinian external trade..." (UNCTAD/RDP/SEU/3) Chapter 4.

121/ Data obtained from Jordan, Ministry of Agriculture, Department of Agricultural Economy and Planning, Amman, 1990.

122/ Al-Fajr, 2/4/90.

123/ Ibid.

124/ Jerusalem Post, 12/6/90.

125/ Al-Fajr, 30/10/89; Middle East International, 15/12/89.

126/ Jerusalem Post, 6/2/90.

127/ Financial Times, 22/11/89; Al-Fajr, 27/11/89.

128/ Jerusalem Post, 12/6/90.

129/ According to the EEC Ambassador to Israel, quoted in Jerusalem Post, 6/2/90.

130/ See Al-Hayat, 17/4/90.

131/ See General Assembly resolution 39/223.

132/ For the list of the organizations consulted on the subject, see "Recent economic developments ... (TD/B/1221), p. 37.